

**Auditing Procedures Report** V1.04

Reset Form

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Issued under Public Act 2 of 1968, as amended.

|  |   |                           |                   |
|--|---|---------------------------|-------------------|
| Unit Name Quincy Township              | County HOUGHTON                           | Type TOWNSHIP             | MuniCode 31-1-110 |
| Opinion Date-Use Calendar Jul 24, 2008 | Audit Submitted-Use Calendar Jul 25, 2008 | Fiscal Year-Use Drop List | 2008              |

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

|                                     |  |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?  |
| <input checked="" type="checkbox"/> | 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?  |
| <input checked="" type="checkbox"/> | 3. Were the local unit's actual expenditures within the amounts authorized in the budget?  |
| <input type="checkbox"/>            | 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?   |
| <input type="checkbox"/>            | 5. Did the local unit adopt a budget for all required funds?   |
| <input checked="" type="checkbox"/> | 6. Was a public hearing on the budget held in accordance with State statute?   |
| <input checked="" type="checkbox"/> | 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?   |
| <input checked="" type="checkbox"/> | 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?   |
| <input checked="" type="checkbox"/> | 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?  |
| <input checked="" type="checkbox"/> | 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)  |
| <input checked="" type="checkbox"/> | 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.) |
| <input type="checkbox"/>            | 12. Is the local unit free of repeated reported deficiencies from previous years?  |
| <input checked="" type="checkbox"/> | 13. Is the audit opinion unqualified?  |
|                                     | 14. If not, what type of opinion is it? NA   |
| <input checked="" type="checkbox"/> | 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?  |
| <input checked="" type="checkbox"/> | 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?  |
| <input type="checkbox"/>            | 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?  |
| <input checked="" type="checkbox"/> | 18. Are there reported deficiencies?   |
| <input checked="" type="checkbox"/> | 19. If so, was it attached to the audit report?  |

|                            |              |
|----------------------------|--------------|
| General Fund Revenue:      | \$ 35,956.00 |
| General Fund Expenditure:  | \$ 45,230.00 |
| Major Fund Deficit Amount: | \$ 0.00      |

|  |              |
|--|--------------|
| General Fund Balance:                                      | \$ 54,847.00 |
| Governmental Activities Long-Term Debt (see instructions): | \$ 0.00      |

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

|  |  |                                     |                |                             |
|--|--|-------------------------------------|----------------|-----------------------------|
| CPA (First Name) Bruce                 | Last Name Rukkila                          | Ten Digit License Number 1101012440 |                |                             |
| CPA Street Address 310 Shelden Avenue  | City Houghton                              | State MI                            | Zip Code 49931 | Telephone +1 (906) 482-6601 |
| CPA Firm Name Bruce A Rukkila, CPA, PC | Unit's Street Address 49858 Frenchtown Rd. | City Hancock                        | LU Zip 49930   |                             |

**TOWNSHIP OF QUINCY**  
**HOUGHTON COUNTY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL FINANCIAL INFORMATION**

**March 31, 2008**

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### INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Board of Trustees  
Township of Quincy  
Hancock, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Quincy as of and for the year then ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Quincy as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township of Quincy has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements and have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

*Bruce A. Rukkila, CPA, PC*  
Certified Public Accountants

July 24, 2008

**TOWNSHIP OF QUINCY**  
**STATEMENT OF NET ASSETS**  
**March 31, 2008**

|   |                   |
|---|-------------------|
| ASSETS:   | Governmental      |
|   | <u>Activities</u> |
| CURRENT ASSETS:                                 |                   |
| Cash and cash equivalents                       | \$ 61,434         |
| Receivables                                     | <u>1,534</u>      |
| TOTAL CURRENT ASSETS                            | <u>62,968</u>     |
| NONCURRENT ASSETS:                              |                   |
| Capital assets                                  | 13,000            |
| Less: accumulated depreciation                  | <u>(7,429)</u>    |
| TOTAL NONCURRENT ASSETS                         | <u>5,571</u>      |
|   |                   |
| TOTAL ASSETS                                    | <u>\$ 68,539</u>  |
| NET ASSETS:                                     |                   |
| Invested in capital assets, net of related debt | \$ 5,571          |
| Unreserved                                      | <u>62,968</u>     |
| TOTAL NET ASSETS                                | <u>68,539</u>     |
|   |                   |
| TOTAL LIABILITIES AND NET ASSETS                | <u>\$ 68,539</u>  |

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF QUINCY**  
**STATEMENT OF ACTIVITIES**  
**March 31, 2008**

|                               | <u>Program Revenues</u> |                    |                      | <u>Governmental</u>  |
|-------------------------------|-------------------------|--------------------|----------------------|----------------------|
|                               | <u>Expenses</u>         | <u>Charges for</u> | <u>Operating</u>     | <u>Activities</u>    |
| <u>FUNCTIONS/PROGRAMS</u>     |                         | <u>Services</u>    | <u>Grants and</u>    | <u>Net (Expense)</u> |
|                               |                         |                    | <u>Contributions</u> | <u>Revenue and</u>   |
|                               |                         |                    |                      | <u>Changes in</u>    |
|                               |                         |                    |                      | <u>Net Assets</u>    |
| Government activities:        |                         |                    |                      |                      |
| General government            | \$ 18,819               | \$ -               | \$ -                 | 18,819               |
| Public safety                 | 7,879                   | -                  | -                    | 7,879                |
| Public works                  | 19,581                  | -                  | -                    | (19,581)             |
| Other                         | 6,175                   | -                  | -                    | (6,175)              |
| Total governmental activities | \$ 52,454               | \$ -               | \$ -                 | 52,454               |

**General Revenues:**

|  |           |
|--|-----------|
| Taxes  |           |
| Property taxes, levied for general operations        | 18,790    |
| State shared revenue                                 | 18,511    |
| Interest and investment earnings                     | 1,243     |
| Other  | 3,860     |
| Total general revenues, transfers, and special items | 42,404    |
| Change in Net Assets                                 | (10,050)  |
| Net Assets - Beginning                               | 78,590    |
| Net Assets - Ending                                  | \$ 68,539 |

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF QUINCY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**March 31, 2008**

|                           | <u>Major Funds</u> |                 |                  |
|---------------------------|--------------------|-----------------|------------------|
|                           | <u>General</u>     | <u>Fire</u>     |                  |
|                           | <u>Fund</u>        | <u>Fund</u>     | <u>Total</u>     |
| ASSETS:                   |                    |                 |                  |
| CURRENT ASSETS:           |                    |                 |                  |
| Cash and cash equivalents | \$ 53,851          | \$ 7,583        | \$ 61,434        |
| Taxes receivable          | 996                | 538             | 1,534            |
| TOTAL CURRENT ASSETS      | <u>\$ 54,847</u>   | <u>\$ 8,121</u> | <u>\$ 62,968</u> |
| <br>FUND BALANCES:        |                    |                 |                  |
| Unreserved                | <u>\$ 54,847</u>   | <u>\$ 8,121</u> | <u>\$ 62,968</u> |
| <br>TOTAL FUND BALANCES   | <u>\$ 54,847</u>   | <u>\$ 8,121</u> |                  |

Amounts reported for governmental activities in the statement of net assets are different because:

|   |                  |
|---|------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | <u>5,571</u>     |
| Net assets of governmental activities   | <u>\$ 68,539</u> |

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF QUINCY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended March 31, 2008**

|  | <u>Major Funds</u> |                 |                |
|--|--------------------|-----------------|----------------|
|  | <u>General</u>     | <u>Fire</u>     | <u>Total</u>   |
|  | <u>Fund</u>        | <u>Fund</u>     |                |
| Revenues:  |                    |                 |                |
| Property taxes                                   | \$ 12,342          | \$ 6,448        | \$ 18,790      |
| State revenue                                    | 18,511             | -               | 18,511         |
| Administration fees                              | 2,524              | -               | 2,524          |
| Interest   | 1,243              | -               | 1,243          |
| Other revenue                                    | 1,336              | -               | 1,336          |
| Total revenues                                   | <u>35,956</u>      | <u>6,448</u>    | <u>42,404</u>  |
| Expenditures:                                    |                    |                 |                |
| General government                               | 16,962             | -               | 16,962         |
| Public safety                                    | 2,512              | 5,367           | 7,879          |
| Public works                                     | 19,581             | -               | 19,581         |
| Other  | 6,175              | -               | 6,175          |
| Total expenditures                               | <u>45,230</u>      | <u>5,367</u>    | <u>50,597</u>  |
| Excess (deficiency) of revenue over expenditures | <u>(9,274)</u>     | <u>1,081</u>    | <u>(8,193)</u> |
| Fund Balances - Beginning of Year                | <u>64,121</u>      | <u>7,040</u>    |                |
| Fund Balances - End of Year                      | <u>\$ 54,847</u>   | <u>\$ 8,121</u> |                |

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures.

This amount represents undepreciated net capital assets as of March 31, 2008. (1,857)

Change in net assets of governmental activities \$ (10,050)

The accompanying notes to financial statements are an integral part of this statement.



**TOWNSHIP OF QUINCY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**March 31, 2008**

|                                 | <u>Fiduciary<br/>Funds</u> |
|---------------------------------|----------------------------|
| ASSETS:                         |                            |
| Cash                            | \$ <u>573</u>              |
| <br>TOTAL ASSETS                | <br>\$ <u><u>573</u></u>   |
| <br>LIABILITIES:                |                            |
| Due to other governmental units | \$ <u>573</u>              |
| <br>TOTAL LIABILITIES           | <br>\$ <u><u>573</u></u>   |

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF QUINCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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The Township of Quincy is a township located in Houghton County, Michigan. The Township operates under an elected board of Trustees (five members, including the Township Supervisor, Township Clerk, Township Treasurer and two trustees) and provides services to a population of approximately 800 Township residents.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Quincy conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**REPORTING ENTITY**

The Township of Quincy is incorporated under the laws of the State of Michigan and operates under an elected council form of government.

There are no other governmental units within the Township that are controlled by, or dependent upon the Township's Board of Trustees. In accordance with NCGA Statements 3 and 7, control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

**Government-Wide Financial Statements** - The statement of net assets and the statement of activities display information about the Township as a whole. These statements exclude fiduciary activities such as trust and agency funds. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined below. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to inter-fund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects and the restrictions on their net asset use.

**TOWNSHIP OF QUINCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements.

The following fund types are used by the Township:

Governmental Funds - The focus of the governmental funds' measurement (in the fund statements) is upon determination of the financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the major governmental funds of the Township:

General Fund - The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Protection - The fire protection fund is used to account for property tax revenue restricted for operation and maintenance of the Quincy, Franklin, Hancock Townships Volunteer Fire Department.

There are no non-major governmental funds within the Township.

Enterprise Funds - There are no Enterprise Funds within the Township.

Fiduciary Funds - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Fiduciary funds are not included in the government-wide statements.

The following is a description of the fiduciary funds:

Current Tax Collection Fund - The Current Tax Collection Fund accounts for collection and disbursement of property tax collections.

Accrual Method - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are made.

TOWNSHIP OF QUINCY  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property taxes, state revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

*Other Accounting Policies*

Cash and Cash Equivalents - The Township's cash and cash equivalents include checking, money market, certificates of deposits, and savings accounts.

The Township reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township does have an investment policy that meets state statutory regulations.

Property Taxes - Property taxes are levied on December 1. The Township collects its own property taxes until February 28, at which time collection is turned over to Houghton County for collection.

For the year ended March 31, 2008, the Township levied the following amounts per \$1,000 of assessed valuation:

| <u>Fund</u>         | <u>Mills</u> |
|---------------------|--------------|
| Township Operating  | 1.1648       |
| Township Extra Vote | .8961        |
| Fire Protection     | 1.1222       |

Receivables and Payables -All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements

Capital Assets - Capital assets, which include equipment are reported in the applicable governmental activities column in the government-wide financial statements. Historically, capital assets have been defined by the government as assets with an initial individual cost of more than \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Equipment is depreciated using the straight-line method over 5-10 years of useful lives.

**TOWNSHIP OF QUINCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates

**NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The Township follows these procedures in establishing the budgetary data:

- a. Each February, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following April 1, and submits this proposed budget to the Township Board of Trustees at a special meeting in March.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at a subsequent board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Township must adopt an annual operating budget for the General Fund and Special Revenue Funds

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

**NOTE C - CASH AND EQUIVALENTS**

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, 100% of the Township's bank balance was insured.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township does business.

**TOWNSHIP OF QUINCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE C - CASH AND EQUIVALENTS (Continued)**

At year-end, the Township's cash deposits (checking, savings and certificates of deposit) were reported in the basic financial statements in the following categories:

|                      | Governmental<br>Activities | Fiduciary<br>Funds | Total Primary<br>Government |
|----------------------|----------------------------|--------------------|-----------------------------|
| Cash and equivalents | <u>\$ 61,434</u>           | <u>\$ 573</u>      | <u>\$ 62,007</u>            |

**NOTE D - RECEIVABLES**

The detail of taxes receivables at March 31, 2008 are as follows:

| General       | Special<br>Revenue | Total Primary<br>Government |
|---------------|--------------------|-----------------------------|
| <u>\$ 996</u> | <u>\$ 538</u>      | <u>\$ 1,534</u>             |

**NOTE E - CAPITAL ASSETS**

Capital asset activity of the Township's governmental activities was as follows:

|                                      | Balance<br>03/31/07 | Additions       | Deletions   | Balance<br>03/31/08 |
|--------------------------------------|---------------------|-----------------|-------------|---------------------|
| Capital assets being depreciated:    |                     |                 |             |                     |
| Equipment and machinery              | <u>\$ 13,000</u>    | <u>\$ 0</u>     | <u>\$ 0</u> | <u>\$ 13,000</u>    |
| Subtotal                             | <u>13,000</u>       | <u>0</u>        | <u>0</u>    | <u>13,000</u>       |
| Accumulated depreciation:            |                     |                 |             |                     |
| Equipment and machinery              | <u>5,571</u>        | <u>1,858</u>    | <u>0</u>    | <u>7,429</u>        |
| Subtotal                             | <u>5,571</u>        | <u>1,858</u>    | <u>0</u>    | <u>7,429</u>        |
| Net capital assets being depreciated | <u>7,429</u>        | <u>1,858</u>    | <u>0</u>    | <u>5,571</u>        |
| Net capital assets                   | <u>\$ 7,429</u>     | <u>\$ 1,858</u> | <u>\$ 0</u> | <u>\$ 5,571</u>     |

Depreciation expense in the amount of \$1,858 was charged to the Township activities of the general government.

**NOTE F - DEFINED CONTRIBUTION PLAN**

On December 20, 1991 the Township adopted the Municipal Retirement Systems, Inc., Money Purchase Pension Plan covering all employees and officials, except Township Boards and part time or seasonal employees. Employer contributions equal to 8% of a participant's compensation are required. A past service credit is calculated at 3% of current compensation for each year of prior service to a maximum of ten years. The contributions for each employee are fully vested upon entering the plan. No contribution is required by the employees.

Contributions totaling \$996 were paid during the fiscal year ended March 31, 2008. This amount represents the required contributions for 2008. The Township's total wages and eligible wages for the year ended March 31, 2008 were both \$12,180.

**TOWNSHIP OF QUINCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE G - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE H - ECONOMIC DEPENDENCY**

The Township receives approximately forty-four percent (44%) of its revenue through the State of Michigan's revenue sharing program. This program distributes sales tax collected by the State of Michigan to local governments as unrestricted revenues. Revenues are distributed to municipalities each February, April, June, August, October, and December based on statewide collections for the two-month period ending the preceding December 31, February 28, April 30, June 30, August 31, and October 31.

**REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION**



**TOWNSHIP OF QUINCY**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended March 31, 2008**

|  | <u>Budgeted Amounts</u> |                    | <u>Actual</u>       | <u>Variance</u>        |
|--|-------------------------|--------------------|---------------------|------------------------|
|  | <u>Original</u>         | <u>Final</u>       | <u>(GAAP Basis)</u> | <u>Final to Actual</u> |
| REVENUES:  |                         |                    |                     |                        |
| Property taxes                                       | \$ 300                  | \$ 300             | \$ 12,342           | \$ 12,042              |
| State revenue  | 17,000                  | 17,000             | 18,511              | 1,511                  |
| Administration fees                                  | 1,800                   | 1,800              | 2,524               | 724                    |
| Interest   | 20                      | 20                 | 1,243               | 1,223                  |
| Other revenue  | 1,100                   | 1,100              | 1,336               | 236                    |
| TOTAL REVENUE  | <u>20,220</u>           | <u>20,220</u>      | <u>35,956</u>       | <u>15,736</u>          |
| EXPENDITURES:  |                         |                    |                     |                        |
| General government                                   |                         |                    |                     |                        |
| Township board                                       | 5,000                   | 5,000              | 1,536               | 3,464                  |
| Township supervisor                                  | 4,600                   | 4,600              | 4,555               | 45                     |
| Clerk  | 4,600                   | 4,600              | 4,011               | 589                    |
| Treasurer  | 4,600                   | 4,600              | 4,239               | 361                    |
| Assessor   | 3,500                   | 3,500              | 2,621               | 879                    |
| Elections  | 1,500                   | 1,500              | -                   | 1,500                  |
| Public safety  | 7,000                   | 7,000              | 2,512               | 4,488                  |
| Public works   | 30,000                  | 30,000             | 19,581              | 10,419                 |
| Other  | 12,500                  | 12,500             | 6,175               | 6,325                  |
| TOTAL EXPENDITURES                                   | <u>73,300</u>           | <u>73,300</u>      | <u>45,230</u>       | <u>28,070</u>          |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <u>\$ (53,080)</u>      | <u>\$ (53,080)</u> | (9,274)             | <u>\$ (12,334)</u>     |
| FUND BALANCE - BEGINNING OF YEAR                     |                         |                    | <u>64,121</u>       |                        |
| FUND BALANCE - END OF YEAR                           |                         |                    | <u>\$ 54,847</u>    |                        |

**SUPPLEMENTAL FINANCIAL INFORMATION**

**TOWNSHIP OF QUINCY**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended March 31, 2008**

|                                    |                  |
|------------------------------------|------------------|
|                                    | <u>2008</u>      |
| REVENUES:                          |                  |
| TAXES:                             |                  |
| Property Tax                       | \$ <u>12,342</u> |
| STATE:                             |                  |
| State shared revenues              | <u>18,511</u>    |
| ADMINISTRATION AND COLLECTION FEES | <u>2,524</u>     |
| INTEREST                           | <u>1,243</u>     |
| OTHER:                             |                  |
| Miscellaneous                      | <u>1,336</u>     |
| Total other                        | <u>1,336</u>     |
| TOTAL REVENUES                     | <u>35,956</u>    |
| EXPENDITURES:                      |                  |
| TOWNSHIP BOARD:                    |                  |
| Salaries                           | 1,350            |
| Fees                               | <u>186</u>       |
| Total township board               | <u>1,536</u>     |
| SUPERVISOR:                        |                  |
| Salaries                           | <u>4,555</u>     |
| ASSESSOR:                          |                  |
| Salaries                           | <u>2,621</u>     |
| CLERK:                             |                  |
| Salaries                           | <u>4,011</u>     |
| BOARD OF REVIEW:                   |                  |
| TREASURER:                         |                  |
| Salaries                           | 4,036            |
| Office supplies                    | <u>203</u>       |
| Total treasurer                    | <u>4,239</u>     |

**TOWNSHIP OF QUINCY**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE (Continued)**  
**For the Year Ended March 31, 2008**

|   | <u>2008</u>      |
|---|------------------|
| FIRE PROTECTION:                                  |                  |
| Professional services                             | <u>2,512</u>     |
| ROADS AND REPAIRS:                                |                  |
| Repairs and maintenance                           | <u>19,581</u>    |
| OTHER ACTIVITIES:                                 |                  |
| Payroll taxes                                     | 1,847            |
| Administration                                    | <u>4,328</u>     |
| Total other activities                            | <u>6,175</u>     |
| TOTAL EXPENDITURES                                | <u>45,230</u>    |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (9,274)          |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR         | <u>64,121</u>    |
| FUND BALANCE (DEFICIT), END OF YEAR               | <u>\$ 54,847</u> |

**TOWNSHIP OF QUINCY**  
**FIDUCIARY FUND - TAX COLLECTION**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Year Ended March 31, 2008**

|                                 | Balance<br>April 1, 2007 | Additions  | Deductions | Balance<br>March 31, 2008 |
|---------------------------------|--------------------------|------------|------------|---------------------------|
| ASSETS:                         |                          |            |            |                           |
| Cash                            | \$ 527                   | \$ 190,102 | \$ 190,056 | \$ 573                    |
| LIABILITIES:                    |                          |            |            |                           |
| Due to General                  | \$ 0                     | \$ 13,394  | \$ 13,394  | \$ 0                      |
| Due to County                   | 0                        | 79,205     | 79,205     | 0                         |
| Due to Schools                  | 0                        | 91,254     | 91,254     | 0                         |
| Due to Fire Fund                | 0                        | 5,910      | 5,910      | 0                         |
| Due to Other Governmental Units | 527                      | 329        | 283        | 573                       |
| Overpayments                    | 0                        | 10         | 10         | 0                         |
| TOTAL LIABILITIES               | \$ 527                   | \$ 190,102 | \$ 190,056 | \$ 573                    |



Bruce A Rukkila, CPA, PC



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees  
Township of Quincy  
Hancock, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Quincy as of and for the year then ended March 31, 2008 which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements is more than inconsequential and will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2008-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will be not be prevented or detected by the Township of Quincy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

### Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses costs as item 2008-1.

We noted certain matters that we reported to management of the Township of Quincy in a separate letter dated July 24, 2008.

The Township of Quincy's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Township of Quincy's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township Board, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

July 24, 2008

*Bruce A. Rukkila, CPA, PC*  
Certified Public Accountants

**TOWNSHIP OF QUINCY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended March 31, 2008**

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**2008-1 – Preparation of Financial Statements in Accordance with GAAP**

Criteria: All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting government-wide financial statements, including related footnotes.

Condition: As is the case with many small entities, the Township of Quincy has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township of Quincy's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls.

Cause: Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to out source the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township of Quincy to perform this task internally.

Effect: As a result of this condition, the Township of Quincy lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Township of Quincy has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township of Quincy to out source this task to its external auditors, and to carefully review the draft financials statements and notes prior to approving them and accepting responsibility for their content and presentation.





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July 24, 2008

Honorable Supervisor and Board of Trustees  
Township of Quincy  
South Range, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Township of Quincy for the year ended March 31, 2008, and have issued our report thereon dated July 24, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 5, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with US generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Quincy are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008. We noted no transactions entered into by the Township of Quincy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future event affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the current judgments. Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated July 24, 2008.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Quincy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township of Quincy's Board and should not be used for any other purpose.

It has been a pleasure to provide audit services to the Township of Quincy. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Very truly yours,

*Bruce A. Rukkila, CPA, PC*  
Certified Public Accountants

**Township of Quincy**  
**Comments and Recommendations**  
**March 31, 2008**

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In planning and performing our audit of the financial statements of Township of Quincy, as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Township of Quincy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of opportunities for strengthening internal controls and operating efficiency. The following items summarize our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any addition study of these matters, or to assist you in implementing the recommendations.

Accounting System

We recommend the Township utilize the Uniform Chart of Accounts required by the State of Michigan.

Bank Reconciliation

The Uniform Accounting Procedures Manual for Michigan Townships requires that a monthly bank reconciliation be prepared. It has been noted that a formal bank reconciliation is not being prepared. We recommend that the township treasurer prepare a monthly bank reconciliation by using the reconciliation on the back of the first page of the bank statement. The banks ending cash balance should be reduced by outstanding checks and increased by deposits in transit. The ending balance should agree with the Treasurer's cash balance. In addition, the township clerk should be given a copy of the bank reconciliations to review for accuracy and agree with their records.

Budget

It was noted that no budget was prepared for the Fire Fund, which is required by P.A. 621. We recommend that the Township prepare a separate budget for all governmental funds as required.

Preparation of Financial Statements in Accordance with GAAP

All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting financial statements, including related footnotes.

As is the case with many small entities, the Township of Quincy has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township of Quincy's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls.

Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township of Quincy to perform this task internally.

As a result of this condition, the Township of Quincy lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**Township of Quincy**  
**Comments and Recommendations**  
**March 31, 2008**

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The Township of Quincy has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township of Quincy to out source this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This information is intended solely for the use of the Board of Directors of the Township of Quincy and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.